

**Township of Athens
Athens, Michigan
Calhoun County**

**Annual Financial Statements
and
Auditors' Report**

March 31, 2008

Table of Contents

<u>Section</u>	<u>Page</u>
1 List of Elected and Appointed Officials	1 – 1
2 Independent Auditors' Report	2 - 1
3 Management's Discussion and Analysis	3 – 1
4 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4 – 1
Statement of Activities	4 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 - 3
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	4 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 6
Fiduciary Funds	
Statement of Assets and Liabilities	4 – 7
Notes to Financial Statements	4 – 8
5 Required Supplemental Information	
Budgetary Comparison Schedule	
General Fund	5 – 1

Township of Athens
List of Elected and Appointed Officials
March 31, 2008

Township Board

Stephen Irons – Supervisor

Mike Irons – Treasurer

Debera Denney – Clerk

Patricia Muyskens – Trustee

Steve Tuttle - Trustee

Independent Auditors' Report

Board of Trustees
Township of Athens

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Township of Athens as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Township of Athens as of March 31, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

September 23, 2007
Kalamazoo, Michigan

Township of Athens
Management's Discussion and Analysis
March 31, 2008

This section of the Township of Athens' annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2008. Please read it in conjunction with the Township's financial statements, which follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements
Government-wide Financial Statements ***Fund Financial Statements***

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for General Fund

Financial Highlights

Our financial status has increased over the last year. Net assets as of March 31, 2008, totaled \$944,036 compared to net assets as of March 31, 2007, totaling \$899,413. This equals a \$44,623 increase in net assets during the 2008 fiscal year.

The Township's fund balance at the year end was \$407,980, which represents about 13 ¼ months of operating expenditures.

Overall revenues were \$399,273. This consisted of \$207,166 from property taxes, \$100,449 from state revenue sharing \$12,767 interest income, and \$78,891 in other revenue.

Overall expenditures were \$367,449. Of this amount, \$36,458 was spent on buildings and grounds and \$182,189 was spent on public safety.

Township of Athens
Management's Discussion and Analysis
March 31, 2008

Financial Analysis

Government-wide Statements - Changes in Net Assets

The Township's net assets are \$944,036. In comparison, last year's net assets were \$899,413, an increase of \$44,623.

Assets		
Current and other non-current assets	\$ 439,512	\$ 415,042
Capital assets	<u>508,120</u>	<u>489,268</u>
Total assets	947,632	904,310
Liabilities		
Other liabilities	<u>3,596</u>	<u>4,897</u>
Net Assets		
Invested in capital assets, net of related debt	520,370	501,518
Unrestricted	<u>423,666</u>	<u>397,895</u>
Total net assets	<u>\$ 944,036</u>	<u>\$ 899,413</u>
Revenues		
General revenues		
Property taxes	\$ 207,166	\$ 195,066
State-shared revenue	99,828	99,322
Unrestricted investment earnings	12,767	2,265
Miscellaneous	<u>78,891</u>	<u>22,125</u>
Total revenues	<u>398,652</u>	<u>318,778</u>
Program expenses		
General government	170,102	138,445
Public safety	171,147	182,650
Community and economic development	4,043	4,668
Recreation and culture	<u>3,305</u>	<u>3,339</u>
Total program expenses	<u>348,597</u>	<u>329,102</u>
Change in net assets	<u>\$ 50,055</u>	<u>\$ (10,324)</u>

Township of Athens
Management's Discussion and Analysis
March 31, 2008

Fund Financial Statements – Changes in Fund Balance

Traditional users of governmental financial statements will find the Fund Financial Statement presentation more familiar. The Township's only governmental type fund is its General Fund. Functions relating to the general governmental activities, including operation of the Township's fire department, which are financed by property tax levies, by distribution of State revenues, and other miscellaneous revenues and grants, are recorded in the General Fund. The Township's ending fund balance as of March 31, 2008 was \$407,980, an increase of \$26,392 over last year.

Other Information

During the year the Township paid \$11,500 to redo the asphalt in the Township parking lot and \$6,333 for a new color copier. The Township also paid \$37,800 for new portable radios for our fire department personnel.

The Township did not incur any new debt in 2008.

Known Factors Affecting Future Operations

The cut in funding from the State of Michigan the Township has been facing in the past few years seems to have leveled off, at least for the time being. We are still facing increases in heating expenses for the township. These factors are making it more and more difficult to operate within our budget. However, we are not expecting to exceed our budget for the 2009 fiscal year.

Contacting Township Management

This financial report is to provide our taxpayers and the general public with an overview of the Township's financial status in addition to revenue and expenditures we incurred. If any questions arise regarding this report, please contact the Township Clerk or the Township Treasurer at 269-729-5305.

Township of Athens
Statement of Net Assets
March 31, 2008

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 224,532
Investments	144,115
Receivables	
Taxes	28,380
Customers	3,399
Due from other units of government	23,708
Inventories	3,128
Land	12,250
Capital assets, net	<u>508,120</u>
 Total assets	 <u>947,632</u>
 Liabilities	
Accounts payable	<u>3,596</u>
 Total liabilities	 <u>3,596</u>
 Net Assets	
Invested in capital assets, net of related debt	520,370
Unrestricted	<u>423,666</u>
 Total net assets	 <u>\$ 944,036</u>

See Accompanying Notes to Financial Statements

Township of Athens
Statement of Activities
For the Year Ended March 31, 2008

		Net Revenue (Expense) and Changes in Net Assets
		Primary Government
Functions/Programs	Expenses	Governmental Activities
Primary government		
Governmental activities		
General government	\$ 170,102	\$ (170,102)
Public safety	171,147	(171,147)
Community and economic development	4,043	(4,043)
Recreation and culture	3,305	(3,305)
	<u> </u>	<u> </u>
Total primary government	\$ 348,597	(348,597)
	<u> </u>	<u> </u>
General revenues		
Property taxes		207,166
State shared revenue		99,828
Unrestricted investment earnings		12,767
Miscellaneous		78,891
Total general revenues		<u>398,652</u>
Change in net assets		<u>50,055</u>
Net assets - beginning of year		899,413
Prior period adjustment		<u>(5,432)</u>
Net assets - beginning of year (restated)		<u>893,981</u>
Net assets - end of year		<u><u>\$ 944,036</u></u>

See Accompanying Notes to Financial Statements

Township of Athens
Governmental Funds
Balance Sheet
March 31, 2008

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 224,532
Investments	144,115
Receivables	
Taxes	28,380
Customers	3,399
Due from other units of government	23,708
Due from other funds	15,302
Inventories	<u>3,128</u>
 Total assets	 <u><u>\$ 442,564</u></u>
 Liabilities	
Accounts payable	\$ 3,596
Due to other funds	15,302
Deferred revenue	<u>15,686</u>
 Total liabilities	 <u>34,584</u>
 Fund Balances	
Unreserved, reported in:	
General fund	<u>407,980</u>
 Total liabilities and fund balances	 <u><u>\$ 442,564</u></u>

See Accompanying Notes to Financial Statements

Township of Athens
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities
March 31, 2008

Total fund balances for governmental funds	\$ 407,980
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	520,370
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>15,686</u>
Net assets of governmental activities	<u>\$ 944,036</u>

Township of Athens
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2008

	<u>General</u>
Revenues	
Taxes	\$ 207,166
Federal grants	37,121
State revenue sharing	100,449
Interest income	12,767
Other revenue	<u>41,770</u>
Total revenues	<u>399,273</u>
Expenditures	
Current	
General government	177,912
Public safety	182,189
Community and economic development	4,043
Recreation and culture	<u>3,305</u>
Total expenditures	<u>367,449</u>
Excess of revenues over expenditures	<u>31,824</u>
Net change in fund balance	<u>31,824</u>
Fund balance - beginning of year	381,588
Prior period adjustment	<u>(5,432)</u>
Fund balance - beginning of year restated	<u>376,156</u>
Fund balance - end of year	<u><u>\$ 407,980</u></u>

See Accompanying Notes to Financial Statements

Township of Athens
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

Net change in fund balances - Total governmental funds	\$ 31,824
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(36,781)
Capital outlay	55,633
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
State shared revenue	<u>(621)</u>
Change in net assets of governmental activities	<u>\$ 50,055</u>

Township of Athens
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2008

	Agency Funds
Assets	
Cash and cash equivalents	\$ <u>8,022</u>
Liabilities	
Due to other units of government	\$ <u>8,022</u>

See Accompanying Notes to Financial Statements

Township of Athens
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies

Reporting entity

Township of Athens is governed by an elected five-member Board. The accompanying financial statements present the government.

Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Township only has governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only

Township of Athens
Notes to Financial Statements
March 31, 2008

when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following:

Trust and Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term

investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding July 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$56,177,563, on which ad valorem taxes consisted of 8.85 mills for operating purposes. This resulted in \$49,717 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Ad valorem taxes also consisted of 2.813 mills for fire protection purposes. This resulted in \$136,210 for fire protection expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

The Township collects a property tax administration fee.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or

Township of Athens
Notes to Financial Statements
March 31, 2008

estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	5 to 7 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds

report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal yearend.

Prior to December 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to February 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be

Township of Athens
Notes to Financial Statements
March 31, 2008

spent when goods are received or services rendered.

Excess of expenditures over appropriations

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Fire Department	<u>\$134,524</u>	<u>\$182,189</u>	<u>\$47,665</u>

Note 3 - Deposits and Investments

At yearend the government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>	<u>Investment</u>
Governmental activities	\$ 224,532	\$ 144,115
Fiduciary funds	<u>8,022</u>	<u>-</u>
Total	<u>\$ 232,554</u>	<u>\$ 144,115</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	<u>\$ 368,647</u>	<u>\$ 8,022</u>

Interest rate risk – In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 60 months.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$203,568 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Receivables and Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Township of Athens
Notes to Financial Statements
March 31, 2008

	<u>Unavailable</u>
Primary government	
State shared revenue	\$ 15,686

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 12,250	\$ -	\$ -	\$ 12,250
Capital assets being depreciated				
Buildings, additions and improvements	381,197	11,500	5,910	386,787
Machinery and equipment	119,677	44,133	-	163,810
Vehicles	277,739	-	-	277,739
Total capital assets being depreciated	778,613	55,633	5,910	828,336
Less accumulated depreciation for				
Buildings, additions and improvements	78,252	7,984	-	86,236
Machinery and equipment	107,609	5,225	5,910	106,924
Vehicles	103,484	23,572	-	127,056
Total accumulated depreciation	289,345	36,781	5,910	320,216
Net capital assets being depreciated	489,268	18,852	-	508,120
Governmental activities capital assets, net	\$ 501,518	\$ 18,852	\$ -	\$ 520,370

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 10,023
Public safety	26,758
Total primary government	\$ 36,781

Note 6 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 8 - Prior Period Adjustment

Fund balance as of April 1, 2007 was adjusted to correct prior year errors. Payroll liabilities were overstated. Had the liability been properly recorded previously, expenses for the year ended March 31, 2007 would have decreased by \$3,420. Accounts receivable was overstated. Had the receivable been properly recorded in the prior year income for the year ended March 31, 2007 would have decreased by \$8,852, creating an overall net decrease of \$5,432.

Township of Athens
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Taxes				
Property taxes	\$ 195,324	\$ 195,324	\$ 207,166	\$ 11,842
Federal grants	-	-	37,121	37,121
State revenue sharing	95,000	95,000	100,449	5,449
Interest income	1,000	1,000	12,767	11,767
Other revenue	35,080	35,080	41,770	6,690
Total revenues	<u>326,404</u>	<u>326,404</u>	<u>399,273</u>	<u>72,869</u>
Expenditures				
General government				
Township board	44,593	43,958	43,077	(881)
Supervisor	8,865	9,120	8,813	(307)
Clerk	35,950	36,900	38,400	1,500
Board of review	1,800	1,000	172	(828)
Treasurer	23,870	24,150	23,782	(368)
Assessor	21,648	21,775	17,809	(3,966)
Elections	3,800	3,200	174	(3,026)
Buildings and grounds	26,000	35,400	36,458	1,058
Cemetery	16,500	13,500	9,227	(4,273)
Total general government	<u>183,026</u>	<u>189,003</u>	<u>177,912</u>	<u>(11,091)</u>
Public safety				
Fire department	<u>134,524</u>	<u>134,524</u>	<u>182,189</u>	<u>47,665</u>

Township of Athens
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Community and economic development Planning	\$ 5,600	\$ 5,350	\$ 4,043	\$ (1,307)
Recreation and culture Library	3,400	3,400	3,305	(95)
Total expenditures	326,550	332,277	367,449	35,172
Excess of revenues over expenditures	(146)	(5,873)	31,824	37,697
Fund balance - beginning of year	361,250	361,250	381,588	20,338
Prior period adjustment	(5,432)	(5,432)	(5,432)	-
Fund balance - beginning of year (restated)	355,818	355,818	376,156	20,338
Fund balance - end of year	<u>\$ 355,672</u>	<u>\$ 349,945</u>	<u>\$ 407,980</u>	<u>\$ 58,035</u>

See Accompanying Notes to Financial Statements

September 23, 2008

Management and the Board of Directors
Township of Athens
Athens, Michigan

We have completed our audit of the financial statements of Township of Athens as of and for the year ended March 31, 2008 and have issued our report dated September 23, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Communication of Internal Control Matters Identified During the Audit

II Auditors' Communication of Significant Matters with Those Charged with Governance

III Management Comments

We discussed these matters with various personnel in the organization during the audit and. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

APPENDIX I - Communication of Internal Control Matters Identified During an Audit

In planning and performing our audit of the financial statements of Township of Athens as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Athens internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Financial Statement Preparation Controls

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, if at any point in the audit we as auditors are part of the Township's control system for producing reliable financial statements, auditing standards indicate that the Township has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The Township is also responsible for providing us with the information needed to reconcile the fund financial statements to the government-wide financial statements, with included capital asset additions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

Review of Account Balances

We recommend the Organization annually perform a detailed review of all accounts. During the current audit we recorded multiple journal entries to adjust accounts to actual at year end. The Organization should be reviewing all accounts and making the necessary year end adjustments so the account balances reflect supporting documents. We had to make adjustments to correct the following issues: record grant income, adjust ending receivable balances, record and correct prior year audit adjustments, record State shared revenue, record accounts payable, record interest on the CD investments, and correct the payroll liabilities. These should be recorded and corrected by management throughout the year or during the annual detailed review.

APPENDIX II - Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters on May 22, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

APPENDIX III - Management Comments

In planning and performing our audit of the financial statements of Township of Athens as of and for the year ended March 31, 2008, we considered Township of Athens internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date September 23, 2008, on the financial statements of Township of Athens. Our comments and recommendations regarding those matters are:

Documentation of Internal Controls

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in these procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

QuickBooks Accounting Software

We noted that the Township uses QuickBooks for its accounting software. In many cases QuickBooks is the best option for a Township's accounting software and there are very good business reasons to use QuickBooks. It is however important that Management and those charged with governance understand the inherent limitations of the QuickBooks accounting software package. QuickBooks, unlike most other accounting software packages, does not provide for an irreversible closing of fiscal years. Instead, QuickBooks provides an option to password protect the accounting records up through a specific date. We encourage all users of QuickBooks to implement this option and password protect those years which have been audited, after ensuring that QuickBooks records match the audited financial statements. This password protection however does still allow changes to prior periods once the password is entered. The importance of not making changes to password protected periods needs to be instilled in all who know the password. In addition, QuickBooks does not void checks per se. When the void check option is chosen in QuickBooks it in effect deleting the check as of the date the check was written rather than voiding the check as of the date you choose to void it. This poses problems when the check issue date and the void date are in different fiscal years.

There are broad categories of permissions which should be reviewed and set for each particular user, based on their needs. One of these categories is the ability to change or delete transactions and the ability to change or delete transactions before the closing date. Remember that the Admin user automatically has rights to all broad categories, and therefore may not be the correct user set-up for some users. These categories however are very broad. Anyone given access to input accounts receivable invoices has access to record the receipt of accounts receivable monies and create write-offs of accounts receivables. Therefore QuickBooks cannot be relied upon to enforce segregation of duties.

We recommend that you seriously consider the costs and benefits of QuickBooks software as compared to the Township's needs. We also recommend that this consideration be done on an annual basis as facts and circumstances change throughout the year. We are neither recommending for nor against continuing to use QuickBooks as the Township's accounting software, we are simply recommending that the decision made by Management and those charged with governance be a fully informed decision.

Prior Year Recommendations:

Budget Approval

We noted when reviewing the board minutes that when the budget is adopted, there is no reference to dollar amounts in the written minutes. This does not give us verification as to the exact budget that was adopted; the budget given to us could be different than the actual adopted budget. We recommend that at a minimum, the board minutes reference total revenues and total expenditures for the budgets adopted.

Current Status:

There is still no reference to dollar amounts in the written minutes.

Approval of Check Registers by Two Trustees

We discovered that there were a few instances when check registers were only approved and initialed by one trustee instead of two trustees. We recommend that the check register be signed by two trustees at all times as this is Township policy.

Current Status:

During the current year, we found one check register that had only been signed by one Trustee and one check register that had been signed by no Trustees.

Formal Written Ethics Policy

We discovered that the Township does not have a formal written ethics policy. We recommend that the Township adopt a written ethics policy.

Current Status:

The Township has still not adopted a formal written ethics policy. We can provide the Township with an example of such a policy.